Don’t Mix Business with Politics?
Understanding Stakeholder Reactions to Corporate Political Activism

A growing number of corporations and CEOs take stands on socio-political issues such as gun ownership or immigration. Based on an empirical study including 488 respondents assessing 60 real cases of corporate political activism of the last years, this paper explains how practitioners can maximize positive stakeholder reactions in doing so.

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raditional managerial wisdom suggests that companies should keep their political views private. Yet, recent years have seen many companies abandon that approach, taking public stands on even the most divisive socio-political issues. To name only a few of the most prominent examples, Apple’s Tim Cook advocated against LGBTQ discrimination (Pressman, 2017), Dick’s Sporting Goods supported more rigorous gun control (Hsu, 2019), and Joe Kaeser of Siemens condemned the anti-immigration rhetoric of a German right-wing politician (Goldschmidt, 2018).

Some executives assert that taking an occasional stand is simply the right thing to do. In an open letter, Levi-Strauss CEO Chip Bergh writes, “We can’t take on every issue ... [but] business has a critical role to play and a moral obligation to do something.” But just as critical is how a company’s stakeholders will react. And those stakeholders increasingly expect companies to be vocal. Polling suggests that expectations are not only widespread but continue to rise. According to the Edelman Trust Barometer (Edelman, 2019), the percentage of people expecting CEOs to take a lead on political change rather than waiting for governments to impose it has increased from 64% to 76% within the past year.

Notwithstanding these expectations, most managers intuit, and rightly so, that taking such stands also may involve considerable risk. After Chick-Fil-A’s Dan Cathy mentioned his opposition to same-sex marriage in a radio interview, the chain of restaurants found supporters, but also faced boycotts from customers who felt alienated by his comments (Hsu, Haualala, & D’Ursio, 2012). Similarly, after Nike launched a campaign featuring Colin Kaepernick, the American football quarterback who had launched a political firestorm by kneeling during the national anthem at games to protest police violence against African Americans, its social media feed was filled with messages of support and outrage in equal parts; some posted videos setting their shoes on fire in protest.

As a recent phenomenon, these reactions of stakeholders to corporate political activism (CPA) have remained somewhat of a mystery. Thus, companies and CEOs are facing expectations to take over a new socio-political role which they may not feel adequately prepared for. The present article reports findings of a quantitative study which can enlighten managers who hope to understand what stakeholders really look for from companies that become activists in the political sphere. The findings suggest that a significant extent of stakeholders’ reactions to CPA is driven by the choice of an issue as well as the design of the communication. Specifically, the findings suggest that by adopting a leadership position on a controversial issue in a way that is consistent with the company’s values and by openly communicating the underlying motives, activist firms can garner their stakeholders’ support.

Corporate Political Activism: A Nascent Phenomenon

In the academic literature, corporate political activism is the “expression (by a corporation or its representatives) of a stance on some matter of current social or political debate, with the primary aims of visibly weighing in on the issue and influencing opinions in the espoused direction” (Hambrick & Woold, 2019, p. 4).

Such activism can take a number of forms. It could involve an advertising campaign such as the Super Bowl advertising of American retailer Lumber...
Table 1: Consequences of Corporate Political Activism

<table>
<thead>
<tr>
<th>Positive Outcomes / Changes</th>
<th>Negative Outcomes / Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Increased stakeholder identification</td>
<td>• Decrease in stakeholder identification</td>
</tr>
<tr>
<td>• Increased sales, loyalty, and positive word-of-mouth marketing</td>
<td>• Boycotts, protests, and negative word-of-mouth marketing</td>
</tr>
<tr>
<td>• Increased motivation, employee retention, and employer attractiveness</td>
<td>• Decreased motivation and politically motivated turnovers</td>
</tr>
<tr>
<td>• Anticipated change in legislation</td>
<td>• Loss of potential social ties with opposed politicians</td>
</tr>
<tr>
<td>• Adoption of company position in stakeholders’ beliefs</td>
<td>• Loss of public legitimacy</td>
</tr>
</tbody>
</table>

The data suggests that, indeed, the perceived consistency of the activist statement with the overall firm values is associated with positive attitudes towards the company. For practitioners, this means that the issue as well as the manner and direction of engagement must be carefully chosen in light of a company's espoused values, its corporate culture and traditions, as well as prior activities. Companies ought to identify issues which match their corporate values and state motives which are consistent with their prior actions (e.g., their CSR strategy).

Identify Change with Corporate Values

Anecdotal evidence as well as recent research suggest that avoiding corporate hypocrisy perceptions and ensuing consistency between words and deeds (Wagner, Lutz, & Weitz, 2009) as well as deeds and deeds (Schiedler, Edinger-Schön, Spanjol, & Wieske, 2019) is key to ensuring positive stakeholder reactions. Doing so can both serve them directly by eliciting more positive stakeholder reactions, but also indirectly by inspiring other companies to follow suit, making their political case more forceful.

Being Consistent with Corporate Values

Ensuring Motive Transparency

As Simon Sinek (2011) proposed in his “Start with Why”, people often care less about what a company does than about the underlying motives. Anecdotal evidence from past CPA exemplifies how ambiguous the motives of companies to engage in such statements can appear. For instance, the opposition of Donald Trump’s Muslim travel ban by multiple CEOs in 2017 can arguably be justified not only ethically but also financially, as the ban reduces the ability to employ global talent. Indeed, Apple CEO Tim Cook explained his opposition by stating that the company “would not exist without immigration, let alone thrive and innovate the way we do”, thus, openly addressing the relevance of immigration for Apple’s success. Marc Zuckerberg, on the other hand, took a more personal stand in a Facebook post expressing his feelings of moral obligation towards immigrants and, particularly, refugees (Newmyer, 2017).

Past research indicates that stakeholders typically react more favorably to morally motivated social involvement (Grau, Prionchinskie, & Walker, 2011; Yoon, Gürhan-Canli, & Schwarz, 2006). However, companies which openly admit their financial interests in a social cause may still receive positive stakeholder reactions (Forehand & Grier, 2003). In line with these previous findings, the study results support that transparency in motives, by either ethical or financial in nature, benefits an activist company. The more transparent a company is perceived regarding its motives, the more positive are participants' attitudes towards it. Practitioners should hence dare to openly state their claim in an issue – be it moral, economic, or both.

Engaging in Controversial Issues

Although socio-political issues are generally controversial, they are not equated equally. While topics such as gun ownership or migration evoke highly emotional debates among varying camps of society in the US, there is more convergence on topics such as climate change or gender equality. The same patterns are found in this study. Figure 2 orders the issue categories included in the study according to the degree to which participants viewed them as controversial. Interestingly, the data reveals a positive relationship between perceived issue controversy and attitudes towards the company. The more controversial an issue is, the greater the risk to a firm that addresses it. This risk is at the core of why activism is revered as a most credible expression of corporate values (Hambrick & Wowak, 2019).

Management Summary

A growing number of corporations and CEOs take stands on socio-political issues such as gun ownership or immigration. Based on an empirical study including 488 respondents assessing 60 real cases of corporate political activism of the last years, this paper explains how practitioners can maximize positive stakeholder reactions in doing so. Results indicate that by adopting a leadership position on a controversial issue in a way that is consistent with the company’s values and by openly communicating the underlying motives, activist firms can garner their stakeholders’ support.

Main Propositions

1. The most decisive determinant of stakeholders’ reactions to corporate political activism is the extent to which they agree with the company’s espoused position.
2. Stakeholders appreciate companies taking stands on highly controversial topics and taking a leadership role when addressing them.
3. Consistency of the political statement with the core values of the company is a crucial contingency factor when stakeholders assess a company’s stance.
4. Stakeholders care about the motives that lead a company to take a certain political stand.

Conclusion

This study set out to shed light on the emerging phenomenon of CPA. By reporting on evidence from a quantitatively and qualitatively sound study, the authors first find that the most decisive determinant of stakeholder reactions is the extent to which stakeholders agree with the company’s espoused position. As such, the first and foremost advice is to understand stakeholders’ position on an issue before taking a side on it. Once having decided to engage in a socio-political issue, practitioners should choose a topic which is controversially discussed and take on a leadership role in addressing it. Moreover, the company should communicate the underlying motives transparently and be conscious about consistency with prior expressions of corporate values.

Note: bars denote average responses on a 7-point scale. Source: Own illustration.

Fig. 2: Perceived Controversiality of Different Socio-political Issues

<table>
<thead>
<tr>
<th>Issue Category</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gun ownership</td>
<td>5.60</td>
</tr>
<tr>
<td>Migration</td>
<td>5.53</td>
</tr>
<tr>
<td>LGBT</td>
<td>5.55</td>
</tr>
<tr>
<td>Trade policy endorsement</td>
<td>5.37</td>
</tr>
<tr>
<td>Immigration</td>
<td>5.24</td>
</tr>
<tr>
<td>Healthcare</td>
<td>5.63</td>
</tr>
<tr>
<td>Climate change &amp; environment</td>
<td>4.90</td>
</tr>
<tr>
<td>Feminism</td>
<td>4.37</td>
</tr>
</tbody>
</table>

The additional risk of a company ‘sticking its neck out’ with a political stand is revered as a most credible expression of corporate values. The implication for practitioners is that there is little reason to shy away from the most controversial political issues. In fact, it may sometimes be beneficial to be vocal about an issue on which societal interest is divided. Stakeholders may appreciate the company’s bravery and infer that the company truly cares about the issue if it is willing to take the risk.
ny with recent environmental scandals but good rankings in diversity might prefer taking a stand on issues such as LGBTQ equality rather than climate change to signal value consistency. In the campaign, the motives should be openly stated; if the company aims to attract more LGBTQ people, then this should be addressed — perhaps by inviting job applications. Further, the stand will be more effective if it comes shortly after a highly controversial event (e.g., a legislative decision) such as the RFRA mentioned in the beginning. In this case, the company should be among the first to react to establish itself as a leader. Following this advice when contemplating the inclusion of CPA in companies’ marketing and public relations activities will allow managers to serve the cause as well as their business.

**Lessons Learned**

1. Companies should attempt to understand their stakeholders’ position on an issue before taking a side on it.

2. In doing so, they should not shy away from highly controversial topics but dare to address them, even before other companies take a stand.

3. Before making a statement, companies should be mindful of its consistency with the company’s values and prior actions.

4. Companies should transparently communicate the motives that led them to take a stand on a certain topic.

**Literature**


